

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6445

BILL NUMBER: HB 1471

NOTE PREPARED: Jan 12, 2013

BILL AMENDED:

SUBJECT: Sales Tax Refunds in Disaster Areas.

FIRST AUTHOR: Rep. Goodin

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that a person who is the owner of a building that is located in a county declared a disaster area under federal law and that is damaged or destroyed as a result of a disaster occurring after December 31, 2011, is entitled to a refund of the state Sales and Use Tax paid on the purchase of building materials that: (1) are used to repair the building or to construct a new building to replace the damaged or destroyed building; and (2) are purchased after the occurrence of the disaster by the owner of the building or by a contractor that is under contract with the owner.

Effective Date: Upon passage.

Explanation of State Expenditures: *Department of State Revenue (DOR)* - This bill may increase administrative expenditures of the DOR. The DOR may need to adopt new rules or procedures to administer the refunds described in the bill. The bill's requirements are within the DOR's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues: *Summary* - The bill could potentially result in Sales Tax refunds beginning in FY 2013 or FY 2014 due to building materials purchases for repair of damaged buildings or construction on new buildings damaged or destroyed by tornadoes in 2012 in counties declared as disaster areas in southern Indiana. The bill also would reduce Sale Tax revenue in the future as a result of natural disasters that result in disaster declarations. The future revenue loss will depend on the frequency of natural disasters and the extent of damage caused by natural disasters in the state. While frequency and severity of natural disasters is highly variable, the revenue loss still could be significant per event.

Background Information - On March 9, 2012, the President declared six Indiana counties disaster areas due to tornadoes. These counties were approved for \$1.3 M in individual federal housing assistance. The Federal Emergency Management Agency estimated that 473 residences were impacted by this natural disaster, 275 of which were destroyed or incurred major damage. Since FY 2008, an average of about 5,000 residences per year have been affected in some way by natural disasters. The table below shows the number of natural disasters that have occurred in the state since FY 2008 and the number of residences that sustained major or minor damage or were destroyed. Of the events listed in the table, rebuilding materials for the 473 structures impacted by the 2012 tornadoes would qualify for this bill's Sales Tax refund.

Fiscal Year	Major Disasters Declared	Residences Impacted
2008	3	12,845
2009	3	12,295
2010	0	0
2011	1	295
2012	1	473

Sales Tax revenue is deposited in the state General Fund (99.848%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures:

Explanation of Local Revenues: Local revenues would decrease to the extent that a local unit receives funds from the Commuter Rail Service Fund or the Industrial Rail Service Fund.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Federal Emergency Management Agency, <http://www.fema.gov/disasters/>.

Fiscal Analyst: Lauren Sewell, 317-232-9586.